

**THE OFFICE OF REGULATORY STAFF  
DIRECT TESTIMONY  
OF  
WILLIE J. MORGAN, P.E.**

**JUNE 8, 2010**



**DOCKET NO. 2009-473-WS**

**Application of Tega Cay Water  
Service, Incorporated for  
Adjustment of Rates and Charges**

**DIRECT TESTIMONY OF WILLIE J. MORGAN, P.E.**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2009-473-WS**

**IN RE: APPLICATION OF TEGA CAY WATER SERVICE, INCORPORATED**

**FOR ADJUSTMENT OF RATES AND CHARGES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

A. My name is Willie J. Morgan, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff (“ORS”) as the Program Manager for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Engineering from the University of South Carolina in 1985 and a Master of Arts Degree in Management from Webster University in 2000. I am a licensed Professional Engineer registered in the State of South Carolina and have completed the Certified Public Manager Program. My professional affiliations include membership in the American Water Works Association (“AWWA”), the South Carolina Section of the American Water Works Association (“SC-AWWA”) and the National Society of Professional Engineers (“NSPE”). Also, I have served as a Director for the

**THE OFFICE OF REGULATORY STAFF  
1401 Main Street, Suite 900  
Columbia, SC 29201**

1            Columbia Chapter of the South Carolina Society of Professional Engineers. After  
2            graduating from the University of South Carolina, I was employed by the South  
3            Carolina Department of Health and Environmental Control (“DHEC”) as an  
4            Environmental Engineer Associate. Later, I was promoted to the position of  
5            Permitting Liaison where I assisted industries and the public with environmental  
6            permitting requirements in the State of South Carolina. This assistance included  
7            providing information about air quality, solid and hazardous waste management,  
8            and water and wastewater management requirements. I was employed by DHEC  
9            for nineteen years. In October 2004, I joined ORS as the Program Manager for  
10           the Water and Wastewater Department.

11    **Q.    HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**  
12           **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**  
13           **FACILITIES?**

14    A.            I have over twenty-four years of regulatory compliance experience  
15            providing assistance and regulatory oversight for water and wastewater facilities  
16            and services.

17    **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
18           **PROCEEDING?**

19    A.            The purpose of my testimony is to set forth the ORS staff findings relative  
20            to my review of the rate increase application submitted by Tega Cay Water  
21            Service, Inc. (“Tega Cay”). Specifically, I will focus on Tega Cay’s compliance  
22            with the Public Service Commission of South Carolina’s (“Commission” or  
23            “PSC”) rules and regulations, ORS’s Business Compliance Review of Tega Cay’s

1            water and wastewater systems, test-year revenue, calculated proposed revenue,  
2            and performance bond requirements.

3    **Q.    ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
4    **TESTIMONY AND ACCOMPANYING EXHIBITS?**

5    A.            Yes, my testimony and the attached exhibits detail ORS's findings and  
6            recommendations.

7    **Q.    PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
8    **TESTIMONY AND EXHIBITS.**

9    A.            I used ORS Business Office Compliance Review results, information  
10            provided by Tega Cay in its application and additional information provided by  
11            Tega Cay during the course of our business review and facility site inspections. I  
12            also reviewed Tega Cay's financial statements and performance bond documents  
13            submitted to the Commission.

14   **Q.    PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**  
15   **TYPES AND CUSTOMER BASE SERVED BY TEGA CAY.**

16   A.            Tega Cay is a public utility providing water distribution services and  
17            wastewater collection/treatment services. As a subsidiary of Utilities, Inc., Tega  
18            Cay's South Carolina operations are classified by the National Association of  
19            Regulatory Utility Commissioners ("NARUC") as a Class B water utility and a  
20            Class B wastewater utility according to water and sewer revenues reported on its  
21            application for the test year ending December 31, 2008. The Commission  
22            approved service area for Tega Cay includes a portion of York County. ORS  
23            determined that Tega Cay provides water distribution services to 1,645 residential

1            and commercial customers and wastewater collection/treatment services to 1,550  
2            residential and commercial customers.

3    **Q.    PLEASE EXPLAIN EXHIBIT WJM-1 OF YOUR REPORT.**

4    A.            Exhibit WJM-1, consisting of three pages, provides a summary of the  
5            Business Office Compliance Review completed by ORS. During the Business  
6            Office Compliance Review, ORS reviewed Tega Cay's office records to  
7            determine compliance with Commission rules and regulations. Tega Cay is in  
8            compliance with the Annual Report and Gross Receipts requirements.

9            ORS requested information related to service interruptions in order to  
10           conduct the Business Office Compliance Review. Tega Cay did not provide the  
11           ORS with information concerning the time and duration of water service  
12           interruptions in its service area. Therefore, ORS is unable to determine if Tega  
13           Cay is in compliance with the requirements outlined in 26 S.C. Code Ann. Regs.  
14           103-714.A (Supp. 2009).

15           In addition, it should be noted that Tega Cay entered into a Consent  
16           Agreement with DHEC for its wastewater operations on September 30, 2009.  
17           Consent Order 09-042-W detailed violations of the Pollution Control Act, S.C.  
18           Code Ann § 48-1-10 to -350 (1987 & Supp 2008), and National Pollutant  
19           Discharge Elimination System ("NPDES") Permits SC0026743 and SC0026751.

20    **Q.    DID TEGA CAY IMPLEMENT A NEW BILLING SYSTEM DURING**  
21    **THE TEST YEAR?**

22    A.            Yes. Tega Cay utilizes a customized computer database to capture  
23           customer account transactions. For the beginning of the test year, Tega Cay

1        utilized its old “Legacy System” to manage customer accounts. In June of 2008,  
2        Tega Cay converted to an ORACLE® based software system to manage customer  
3        accounts. The system tracks customer inquiries and complaints received at its  
4        customer service centers and the West Columbia, South Carolina, office. Each  
5        inquiry or complaint is reflected in the specific customer account as a service  
6        order and complaint resolution data is provided by date and responsible party.  
7        Tega Cay’s customer bill form, disconnect notices, payment plans and deposit  
8        receipts contain the Commission required information. Customer bills appear to  
9        have been issued to customers in a timely manner during the test year. Invoice  
10       adjustments, deposit refunds, late payment penalties and reconnection notices are  
11       automated.

12    **Q.    DO YOU HAVE ANY COMMENTS REGARDING TEGA CAY’S**  
13       **CHANGES TO ITS PAYMENT METHODS MADE AVAILABLE TO**  
14       **CUSTOMERS?**

15    A.        Yes. The options added by Tega Cay should help customers of the utility  
16       by providing additional methods for making payments. However, I am concerned  
17       the process established by Tega Cay for processing payments may cause the  
18       utility to inadvertently discontinue service to a customer that makes account  
19       payment the day before or the same day of scheduled termination. Mr. Steve  
20       Lubertoizzi states in his direct testimony on page 3, lines 7 and 8, that “Customer  
21       payments, meter readings and service orders are processed from this [Charlotte,  
22       North Carolina] office.” However, the bill form provided in the application  
23       requires customer payment to be remitted to a location in Lewiston, Maine. ORS

1 encourages Tega Cay to establish and implement payment tracking procedures to  
2 avoid inadvertent termination of service to customers that make payment prior to  
3 termination of service. These procedures shall be consistent with 26 S.C. Code  
4 Ann. Regs. 103-535, 103-535.1, 103-735, and 103-735.1 (Supp. 2009).

5 **Q. PLEASE EXPLAIN EXHIBIT WJM-2 OF YOUR REPORT.**

6 A. Exhibit WJM-2, consisting of three pages, is a summary of the water  
7 distribution and wastewater collection/treatment systems inspected by ORS on  
8 April 28, 2010.

9 **Water Distribution System**

10 Tega Cay currently provides adequate water distribution services to its  
11 residential and commercial customers. Water is provided to customers by Tega  
12 Cay from an outside bulk water provider, York County Public Works. Required  
13 operator logs were being kept at all applicable ORS audited facilities. As  
14 required by the Commission regulations, general housekeeping items including  
15 system entry points, access roads and signage were found to be satisfactory during  
16 the audit. Potable water and irrigation consumption is metered to all customers.  
17 Safe drinking water quality standards are being met according to the recent DHEC  
18 sanitary survey report.

19 Tega Cay provides fire protection service to its customers through the use  
20 of eighty-two fire hydrants. DHEC rated the water system as  
21 “SATISFACTORY” during the last sanitary survey. No construction activity is  
22 being proposed by Tega Cay for its water systems and no immediate need exists  
23 for any major upgrade.

1        **Wastewater Collection/Treatment System**

2                Tega Cay provides wastewater treatment at two locations in York County  
3        under National Pollutant Discharge Elimination System (“NPDES”) permits.  
4        During the ORS inspection, all wastewater collection and treatment systems were  
5        operating adequately and in accordance with DHEC rules and regulations and  
6        DHEC Consent Order 09-042-W. At the time of our on-site visit, construction  
7        activity was ongoing at both locations to include a new ultraviolet disinfection  
8        unit at each wastewater treatment plant along with a new phosphorus treatment  
9        unit for each plant. While no sewer overflows were noted during the ORS site  
10       visit on April 28, 2010, there have been several instances of sanitary sewer  
11       overflows from the collection system during the test year and in the recent past.

12    **Q.    WHAT IS THE CURRENT STATUS OF THE CONSTRUCTION**  
13       **UPGRADES AT THE TWO WASTEWATER TREATMENT**  
14       **FACILITIES?**

15    A.        Upon receipt of additional information from Tega Cay on May 26, 2010, I  
16       conducted a follow-up consultation with DHEC on June 2, 2010. DHEC  
17       indicated to me that proper permits were issued to operate the new equipment.

18    **Q.    BASED ON PUBLIC TESTIMONY HEARD DURING THE NIGHT**  
19       **HEARING IN TEGA CAY ON MAY 19<sup>TH</sup>, DOES ORS RECOMMEND**  
20       **ADDITIONAL FLUSHING OF THE WATER SYSTEM?**

21    A.        Yes. While water quality monitored by DHEC indicates the system is  
22       operating within standards, ORS recommends Tega Cay increase system flushing



1            to at least once per month. This would assist in reducing the issues associated  
2            with many of the consumer complaints.

3    **Q.    DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**  
4    **REVENUES OF TEGA CAY?**

5    A.            Yes.    ORS completed a review of Tega Cay's customer water  
6            consumption and base facility charge ("BFC") revenue calculations and its sewer  
7            revenue calculations for the test year. Based on that review, ORS made revenue  
8            adjustments totaling \$11,356 as shown on Audit Exhibit CAS-1. These revenue  
9            adjustments normalize the customer billing information provided by Tega Cay  
10          and additional information reviewed by ORS.

11   **Q.    EXPLAIN THE TEST YEAR REVENUE INFORMATION CALCULATED**  
12   **BY ORS FOR TEGA CAY.**

13   A.            Exhibit WJM-3 summarizes Tega Cay's service revenues for the test year  
14          ending December 31, 2008. ORS used consumption data provided by Tega Cay  
15          and verified during the audit. In addition, ORS used Tega Cay's current and  
16          proposed rates as reflected in the Application for these calculations. ORS  
17          calculated test year revenue based on customer billing information provided in the  
18          Application and supplemental data provided by Tega Cay. Based on our review,  
19          an adjustment to service revenue is required for the test year ending December 31,  
20          2008. In summary, ORS calculated Tega Cay's test year service revenue for  
21          water operations, as adjusted, of \$365,528. ORS calculated Tega Cay's test year  
22          service revenue for wastewater operations, as adjusted, of \$740,210. ORS  
23          calculated test year service revenues for combined operations, as adjusted, of

1        \$1,105,738. For comparison purposes, ORS calculated Tega Cay's proposed  
2        water service revenues, as adjusted, of \$445,430. ORS calculated Tega Cay's  
3        proposed wastewater service revenues, as adjusted, of \$899,370. At Tega Cay's  
4        proposed rates, combined service operating revenue, as adjusted, would total  
5        \$1,344,800.

6                ORS did not factor customer growth into these revenue comparisons. As  
7        shown in Exhibit WJM-4, the projected growth for Tega Cay for water and  
8        wastewater service is negative.

9                ORS proposes a \$3,420 adjustment to Tega Cay's test year Miscellaneous  
10       Revenues based on Tega Cay's revenue records, late payment calculations and  
11       other supporting documentation. The total of Miscellaneous Revenues for the test  
12       year, as adjusted, is \$27,672. ORS calculated proposed Miscellaneous Revenues  
13       for Tega Cay, as adjusted, of \$29,213 using Tega Cay's proposed rates and the  
14       increased interest payments using the proposed rates.

15               From a review of Tega Cay's records, ORS found that an allowance for  
16       future uncollectible accounts or bad debt expense of (\$2,567) to be appropriate for  
17       the applicant's proposed revenues. This amount is computed using the current  
18       recorded bad debt amount of (\$7,790) and the as adjusted uncollectible accounts  
19       at present rates of (\$2,111). This amount is consistent with historical records  
20       provided by Tega Cay for customer accounts that have been written off by Tega  
21       Cay as "Uncollectible Accounts." ORS adjusted uncollectible accounts at present  
22       and proposed rates are within 1.5% of service revenues.

1    **Q.    DO YOU HAVE ANY SUGGESTIONS FOR TEGA CAY TO IMPROVE**  
2            **ITS COLLECTIONS PROCESS ON DELINQUENT CUSTOMER**  
3            **ACCOUNTS?**

4            Yes. According to the information provided to ORS by Tega Cay, the  
5            utility attempts to reach delinquent customers by sending the invoice or collection  
6            notice to the customer's last known mailing address. Tega Cay's collection  
7            process does not include an attempt to reach the customer via telephone, email or  
8            through a collection agency. Tega Cay's uncollectible policy specifies that 50%  
9            of all accounts receivable greater than 90 days old but less than 180 days old are  
10           to be included in the allowance for doubtful accounts. In addition, accounts  
11           greater than 180 days old are written off as bad debt. This resulted in a high  
12           uncollectible rate in 2008. ORS recommends Tega Cay investigate and revise its  
13           collections process to include a more vigilant approach to the collection process.

14   **Q.    PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**  
15            **TEGA CAY.**

16   A.            Tega Cay has a current performance bond for utility operations in the form  
17            of an Irrevocable Letter of Credit ("ILC") from JPMorgan Chase Bank, N.A. as  
18            surety in the amount of \$300,000 for water and \$350,000 for sewer operations.  
19            Based on the expenses from the test year and using the criteria set forth in 26 S.C.  
20            Code Ann. Regs. 103-512.3.1 and 103-712.3.1, ORS determined that the face  
21            amount of Tega Cay's bond should be \$330,000 for water operations and  
22            \$350,000 for wastewater operations (Exhibit WJM-5). Tega Cay's adjusted  
23            bonding criteria expenses for the test year were \$329,484 for water operations and

1        \$541,800 for wastewater operations. Combined bonding criteria expenses, as  
2        adjusted totaled \$871,284 for the test year ending December 31, 2008. ORS  
3        respectfully requests that the Commission require Tega Cay to increase the  
4        performance bond amount for water operations to \$330,000 and to continue to  
5        maintain the current performance bond amount for wastewater operations in the  
6        amount of \$350,000 as it is in the public interest for Tega Cay to maintain a bond  
7        that satisfies the criteria as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2009).

8        **Q.    ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**  
9        **RECOMMENDATIONS?**

10      A.        ORS recommendations are based on the conclusions outlined in the  
11      Florida Public Service Commission Water and Wastewater System Regulatory  
12      Law as recommended by the NARUC staff. ORS's approach and conclusions  
13      made concerning depreciation are consistent with the Public Utility Depreciation  
14      Practices manual as published by NARUC in 1996.

15      **Q.    DO YOU HAVE ANY COMMENTS REGARDING TEGA CAY'S**  
16      **REQUEST TO ADD TERMS AND CONDITIONS RELATING TO**  
17      **CROSS-CONNECTION TESTING?**

18      A.        Yes. ORS is not opposed to the proposed addition of language requiring  
19      its water customers to conduct cross connection testing pursuant to 24A S.C.  
20      Code Ann. Regs. R. 61-58.7.F (8). This non-opposition is predicated upon the  
21      condition that Tega Cay be required to provide customers a 30-day advance  
22      written notice of the recurring annual date when the customer must have their  
23      backflow prevention device tested by a licensed, certified tester. Furthermore,

1            Tega Cay should be required to include a reference to the DHEC website and  
2            Tega Cay's phone number on the notice to respond to customer inquiries.

3    **Q.    DO YOU HAVE ANY COMMENTS REGARDING TEGA CAY'S**  
4            **REQUEST TO ADD TERMS AND CONDITIONS RELATING TO**  
5            **ELECTRONIC BILLING?**

6    A.            Yes. ORS is not opposed to the proposed addition of language offering an  
7            electronic bill to the customer on Tega Cay's website. This non-opposition is  
8            predicated upon the condition that Tega Cay be required to provide customers a  
9            monthly electronic notice via email of the bill statement availability and the web  
10           address of its location.

11   **Q.    PLEASE EXPLAIN EXHIBIT WJM-6 OF YOUR REPORT.**

12   A.            Exhibit WJM-6 is a summary of the current PSC approved rates for Tega  
13            Cay and Tega Cay's proposed rates.

14   **Q.    DO YOU HAVE AN ADDITIONAL RECOMMENDATION FOR TEGA**  
15            **CAY REGARDING ITS WATER SYSTEM?**

16   A.            Yes. I would recommend that Tega Cay install meters on all release  
17            points (i.e., blow-off and/or flushing locations, etc.) on the water system. This  
18            will allow Tega Cay to obtain an exact reading for the amount of water used for  
19            flushing each month. Of note, Tega Cay already has meters on the release points  
20            located at its seven (7) abandoned well locations and the overflow device for its  
21            elevated water storage tank.

22   **Q.    ARE THERE ANY OUTSTANDING INFORMATION REQUESTS THAT**  
23            **COULD AFFECT THE ABOVE TESTIMONY?**

1    A.                    Yes. ORS has requested further information from the Company. If changes  
2                    are deemed necessary by ORS based on the information received and reviewed,  
3                    ORS will file supplemental direct testimony to reflect these findings.

4    **Q.       DOES THAT CONCLUDE YOUR TESTIMONY?**

5    A.                    Yes it does.

**REVIEW OF WATER AND WASTEWATER SERVICES  
TEGA CAY WATER SERVICE, INC.  
DOCKET: 2009-473-WS**

The South Carolina Office of Regulatory Staff (“ORS”) performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of Tega Cay Water Service, Inc. (“Tega Cay”) in preparation for this rate case. Tega Cay currently provides water distribution, wastewater collection, and wastewater treatment services to commercial and residential customers in Tega Cay’s service area which includes a portion of York County. As of December 31, 2008, Tega Cay was providing water services to 1,645 units along with 82 fire hydrants and wastewater services to 1,550 units.

The ORS Consumer Services Department received nine (9) complaints regarding Tega Cay between April 1, 2007 and April 29, 2010 (1 – rates charged, 3 – billing complaints, and 1 – notice of filing, 2 – service complaint, 2 – information request). Since the Notice of Filing was mailed to Tega Cay’s customers, the Public Service Commission has received one Petition to Intervene. Three requests have been submitted by the Commission to hold a night hearing in the area being served by Tega Cay. One night hearing was scheduled for Tega Cay, South Carolina.

ORS determined Tega Cay appears to provide adequate water distribution service and wastewater collection/treatment service. During Tega Cay’s latest sanitary survey, DHEC rated the water system as “Satisfactory.” The overall rating for its wastewater treatment plant facility evaluation inspections were rated by DHEC as “Satisfactory” for both wastewater treatment plants.

The following 2 pages provide a summary of the ORS Business Compliance Audit results.



### ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Tega Cay Water Service, Inc.  
 Inspector: Willie Morgan, P.E.  
 Office: Corporate: 2335 Saunders Road, Northbrook, IL 60062; Local Office: 110 Queen Parkway, West Columbia  
 Utility Type: Water and Wastewater Utility  
 Date: 02/16/2010-04/30/2010  
 Company Representative: Jerusalem T. Nikodimos/Lena Georgiev/Bruce Haas

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R. 103-510 and R. 103-710.	X		Customers can contact call centers to receive copies of records.
2	Complaint records maintained in accordance with R. 103-516 and R. 103-716.	X		All customer complaints are input into Tega Cay database which tracks service orders, complaint types and related resolutions.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R. 103-530 and R. 103-730.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the Commission and that the customer has the right to register the complaint in accordance with R. 103-530 and R. 103-730.	X		
5	Deposits charged within the limits established by R. 103-531 and R. 103-731.	X		
6	Timely and accurate bills being rendered to customers in accordance with R. 103-532 and R. 103-732.	X		Tega Cay bills for monthly service in arrears.
7	Bill forms in accordance with R. 103-532 and R. 103-732.	X		Bill form is clear with adequate after-hours emergency contact information.



#	Compliance Regulation	In Compliance	Out of Compliance	Comments
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		Invoice adjustments are compliant with R.103-533 and 103-733.
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		Deferred payment plan and payment extension agreement available to all customers.
10	Notices sent to customers prior to termination in accordance with R.103-535 and 103-735.	X		Proper notice procedure is followed. Disconnect notices are received by ORS monthly.
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.	X		
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.		X	Utility failed to provide duration of water service interruption.
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	NA	NA	As of 12/31/2008, Tega Cay provided service to 1,645 water and 1,550 sewer customers.
17	Company has a current performance bond on file with the Commission. Combined Amount of bond: \$650,000	X		Tega Cay currently has an irrevocable letter of credit (ILC) on file with the PSC/ORS. The stated bond amount is \$300,000 for water service and \$350,000 for sewer service.
18	Company has a current annual report on file with the Office of Regulatory Staff.	X		Received 05/3/2010
19	Company has paid annual Gross Receipts assessment.	X		Current filing and payment made.



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview:

Date Inspected:	04/28/2010
Inspector Name:	Willie Morgan & Hannah Majewski
Docket Number:	2009-473-WS
Utility Name:	Tega Cay Water Service, Inc. (WWTF #2)
Utility Representative:	Mr. Mike Davis
Number of Customers:	1550 combined with WWTF #3
System Type (collection, force main, lagoon, etc):	Collection, force main, treatment in tanks
Location of System:	Tega Cay, SC
Location of Utility Office:	110 Queen Parkway, West Columbia, SC 29169
Treatment Type:	Biological treatment in tanks
Permit #:	SC0026743
Last SC DHEC Compliance Rating:	Satisfactory - 12/16/2009
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Tega Cay Water Service, Inc.

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		
2	Other chemicals in use	X		
3	Aerators present			N/A
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition			N/A
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		None present
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

**Additional Comments:** System is capable of handling the capacity needs of the service area.



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview:

Date Inspected:	04/28/2010
Inspector Name:	Willie Morgan & Hannah Majewski
Docket Number:	2009-473-WS
Utility Name:	Tega Cay Water Service, Inc. (WWTF #3)
Utility Representative:	Mr. Mike Davis
Number of Customers:	1550 combined with WWTF #2
System Type (collection, force main, lagoon, etc):	Collection, force main, treatment in tanks
Location of System:	Tega Cay, SC
Location of Utility Office:	110 Queen Parkway, West Columbia, SC 29169
Treatment Type:	Biological treatment in tanks
Permit #:	SC0026751
Last SC DHEC Compliance Rating:	Satisfactory - 12/16/2009
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Tega Cay Water Service, Inc.

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		
2	Other chemicals in use	X		
3	Aerators present			N/A
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition			N/A
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		None present
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

**Additional Comments:** System is capable of handling the capacity needs of the service area.



## ORS WATER SYSTEM INSPECTION REPORT

### Inspection Overview

Date Inspected: 04/28/2010  
 Inspector Name: Willie Morgan & Hannah Majewski  
 Docket Number: 2009-473-WS  
 Utility Name: Tega Cay Water Service, Inc.  
 Utility Representative: Mr. Mike Davis  
 Number of Customers: 1645  
 System Type (distribution, well, etc): Distribution only (7 wells not operational)  
 Location of System: Tega Cay, SC  
 Location of Utility Office: 110 Queen Parkway, West Columbia, SC 29169  
 Treatment Type: N/A  
 Permit #: 4650005  
 Last SC DHEC Compliance Rating: Satisfactory - 10/27/2008  
 Frequency checked by Licensed Operator: Daily  
 Wastewater Provider: Tega Cay Water Service, Inc.

### Inspection Overview

	System Components Inspected	Specific Type	#	P S I	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites				7			Not in operation
2	Pump Houses				7			Not in operation
3	Storage Tank	Pressurized						N/A
3a	Storage Tank	Non-Pressurized						N/A
3b	Storage Tank	Overhead	1		250k			
4	Chlorinator							N/A
5	Other Chemicals in use							N/A
6	Meters				1835	X		
7	Fire Hydrants				82	X		
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		
11	Water free of sand					X		
12	Water clarity					X		
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		Designed to serve completed area

**Additional Comments:** Water is purchased from York County Public Works. Meters are located on flushing points at old well locations. Utility should meter all flushing including instances from hydrants and none well points.

**TEGA CAY WATER SERVICE, INC.**  
**2009-473-WS**  
**SERVICE REVENUE IMPACT**  
**FOR THE TEST YEAR ENDING DECEMBER 31, 2008**

EXHIBIT WJM-3

**Water and Sewer Revenue Overview for Test Year Ending December 31, 2008**

Bill Pro	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues (1)
48501	5/8" Res Water	108,758,466	\$1.69	21,911	\$7.56	\$349,449
48502	5/8" Comm Water	574,460	\$1.69	191	\$7.56	\$2,415
48505	1" Comm Water	273,520	\$1.69	88	\$7.56	\$1,128
48506	2" Comm Water	794,000	\$1.69	396	\$7.56	\$4,336
48540	Hydrant Rental Water (4)	0	\$1.69	984	\$8.33	\$8,200
	<b>Water Service Total</b>	<b>110,400,446</b>		<b>23,570</b>		<b>\$365,528</b>
48521	5/8" Res Sewer	0.00	\$0.00	21,899	\$33.02	\$723,105
48522	5/8" Comm Sewer	0.00	\$0.00	90	\$33.02	\$2,972
48523	1" Comm Sewer	0.00	\$0.00	26	\$33.02	\$859
48524	2" Comm Sewer	0.00	\$0.00	402	\$33.02	\$13,274
	<b>Sewer Service Total</b>			<b>22,417</b>		<b>\$740,210</b>
	<b>Total Water and Sewer Service Revenues</b>					<b>\$1,105,738</b>
	<b>Miscellaneous Revenues (1)</b>					\$24,252
	<b>Miscellaneous Revenues - Other (2)</b>					\$3,420
	<b>Total Miscellaneous Revenues</b>					<b>\$27,672</b>
	<b>Uncollectible Accounts (3)</b>					<b>(\$2,111)</b>
	<b>Total Operating Revenues - Pro Forma Present</b>					<b>\$1,131,299</b>

**Water and Sewer Revenue Overview for Test Year Ending December 31, 2008 Using Proposed Rates**

Bill Pro	Customer Classification	Consumption in Gallons	Proposed Usage Charge per 1,000 gallons	Service Units	Proposed Base Facility Charge (BFC)	Proposed Calculated Revenues (1)	Increase Amount	% Increase
48501	5/8" Res Water	108,758,466	\$2.06	21,911	\$9.21	\$425,843	\$76,394	21.86%
48502	5/8" Comm Water	574,460	\$2.06	191	\$9.21	\$2,942	\$527	21.82%
48505	1" Comm Water	273,520	\$2.06	88	\$9.21	\$1,374	\$246	21.81%
48506	2" Comm Water	794,000	\$2.06	396	\$9.21	\$5,283	\$947	21.84%
48540	Hydrant Rental Water (4)	0	\$2.06	984	\$10.15	\$9,988	\$1,788	21.80%
	<b>Water Service Total</b>	<b>110,400,446</b>		<b>23,570</b>		<b>\$445,430</b>	<b>\$79,902</b>	<b>21.86%</b>
48521	5/8" Res Sewer	0.00	\$0.00	21,899	\$40.12	\$878,588	\$155,483	21.50%
48522	5/8" Comm Sewer	0.00	\$0.00	90	\$40.12	\$3,611	\$639	21.50%
48523	1" Comm Sewer	0.00	\$0.00	26	\$40.12	\$1,043	\$184	21.42%
48524	2" Comm Sewer	0.00	\$0.00	402	\$40.12	\$16,128	\$2,854	21.50%
	<b>Sewer Service Total</b>			<b>22,417</b>		<b>\$899,370</b>	<b>\$159,160</b>	<b>21.50%</b>
	<b>Total Water and Sewer Service Revenues</b>					<b>\$1,344,800</b>	<b>\$239,062</b>	<b>21.62%</b>
	<b>Miscellaneous Revenues (1)</b>					\$25,793	\$1,541	6.35%
	<b>Miscellaneous Revenues - Other (2)</b>					\$3,420	\$0	0.00%
	<b>Total Miscellaneous Revenues</b>					<b>\$29,213</b>	<b>\$1,541</b>	<b>5.57%</b>
	<b>Uncollectible Accounts (3)</b>					<b>(\$2,567)</b>	<b>-\$456</b>	<b>21.60%</b>
	<b>Total Operating Revenues - Pro Forma Proposed</b>					<b>\$1,371,446</b>	<b>\$240,147</b>	<b>21.23%</b>

- "Miscellaneous Revenues" are increased due to late payment charges from higher monthly charges. The interest amount or late payment charges for monthly charges will be greater due to the higher proposed rate.
- "Miscellaneous Revenues - Other" is added by ORS to account for Tega Cay's revenue received from a 3rd party vendor, Home Service, for the use of Tega Cay customer information to market a product to provide insurance for repairs that may be required on customer-owned piping. ORS allocated "Miscellaneous Revenue Other" based on ERCs.
- ORS revenue calculations for "Uncollectible Accounts" at proposed rates incorporated charges associated with higher proposed rates.
- The approved tariff rate for fire hydrant is \$100.00 per hydrant per year for water service. The amount proposed by Tega Cay is \$121.80 per hydrant per year for water service. The base facility charge amount shown is the equivalent monthly rate.

**Tega Cay Water Service, Inc.  
Docket No. 2009-473-WS  
Customer Growth Analysis**

**Exhibit WJM-4**

<b>Date</b>	<b>Water Customers</b>	<b>Sewer Customers</b>	<b>Total Customers</b>
12/31/2007	1,782	1,713	3,495
12/31/2008	1,645	1,550	3,195
Average	1,714	1,632	3,345

**Growth Factor for Water**

<b>Date</b>	<b># of Customers</b>	
12/31/2008	1,645	
Average	1,714	
Growth Factor	-0.0402567	-4.02567%

**Growth Factor for Sewer**

<b>Date</b>	<b># of Customers</b>	
12/31/2008	1,550	
Average	1,632	
Growth Factor	-0.0502451	-5.02451%

**Growth Factor for Combined Operations**

<b>Date</b>	<b># of Customers</b>	
12/31/2008	3,195	
Average	3,345	
Growth Factor	-0.0448430	-4.48430%

**TEGA CAY WATER SERVICE, INC.**  
**DOCKET NO. 2009-473-WS**  
**PERFORMANCE BOND INFORMATION**

Exhibit WJM-5

Tega Cay Water Service, Inc. - Water			
Bond Value Components	Application Per Books	After Accounting & Pro Forma Adjustments	After Applicant's Proposed Increase
Maintenance Expenses	\$104,193	\$166,801	\$166,801
General Expenses	\$167,706	\$125,640	\$125,640
Taxes Other Than Income	\$42,653	\$51,753	\$52,523
Deferred Income Taxes - State & Fed	(\$7,586)	(\$7,586)	(\$7,586)
Income Taxes - State & Fed	\$801	(\$7,124)	\$23,285
Interest During Construction	(\$5,079)	\$0	\$0
<b>Bond Value Requirement</b>	<b>\$302,688</b>	<b>\$329,484</b>	<b>\$360,663</b>
Tega Cay Water Service, Inc. - Wastewater			
Bond Value Components	Application Per Books	After Accounting & Pro Forma Adjustments	After Applicant's Proposed Increase
Maintenance Expenses	\$363,783	\$346,480	\$346,480
General Expenses	\$165,462	\$123,964	\$123,964
Taxes Other Than Income	\$48,048	\$60,618	\$62,152
Deferred Income Taxes - State & Fed	(\$15,247)	(\$15,247)	(\$15,247)
Income Taxes - State & Fed	\$1,610	\$25,985	\$86,552
Interest During Construction	(\$19,815)	\$0	\$0
<b>Bond Value Requirement</b>	<b>\$147,278</b>	<b>\$541,800</b>	<b>\$603,901</b>
Tega Cay Water Service, Inc. - Combined			
Bond Value Components	Application Per Books	After Accounting & Pro Forma Adjustments	After Applicant's Proposed Increase
Maintenance Expenses	\$467,976	\$513,281	\$513,281
General Expenses	\$333,168	\$249,604	\$249,604
Taxes Other Than Income	\$90,701	\$112,371	\$114,675
Deferred Income Taxes - State & Fed	(\$22,833)	(\$22,833)	(\$22,833)
Income Taxes - State & Fed	\$2,411	\$18,861	\$109,837
Interest During Construction	(\$24,894)	\$0	\$0
<b>Bond Value Requirement</b>	<b>\$846,529</b>	<b>\$871,284</b>	<b>\$964,564</b>
Current Performance Bond Structure (1)	Bond Value	Expiration Date	
JPMorgan Chase Bank, NA Irrevocable Letter of Credit (CTCS-314813)	\$650,000	Auto Renewal	
<b>Total Financial Assurance</b>	<b>\$650,000</b>		

(1) Letter of Credit secures performance bond of \$300,000 for water operations and \$350,000 for wastewater operations.

**TEGA CAY WATER SERVICE, Inc.**  
**Docket No. 2009-473-WS**  
**Rates Overview**

**Exhibit WJM-6**

**I. WATER**

Current

Proposed

**1. CHARGE FOR WATER DISTRIBUTION ONLY**

Where water is purchased from a government body or agency or other entity for distribution by the Company, the following rates apply:

**Residential**

Basic Facilities Charge per single family house, condominium, mobile home or apartment unit:

\$7.56 per unit\*

\$9.21 per unit\*

Commodity charge:

\$1.69 per 1,000  
gallons or 134 cft

\$2.06 per 1,000  
gallons or 134 cft

\*Residential customers with meters of 1" or larger will be charged commercial rate

**Commercial**

Basic Facilities Charge

\$7.56 per single  
family equivalent  
(SFE)

\$9.21 per single  
family equivalent  
(SFE)

Commodity charge:

\$1.69 per 1,000  
gallons or 134 cft

\$2.06 per 1,000  
gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that



**TEGA CAY WATER SERVICE, Inc.**  
**Docket No. 2009-473-WS**  
**Rates Overview**

**Exhibit WJM-6**

**I. WATER (continued)**

entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

**2. Nonrecurring Charges**

Tap Fees	\$600 per SFE*	\$600 per SFE*
----------	----------------	----------------

**3. Account Set-Up and Reconnection Charges**

**a. Customer Account Charge - for new customers only**

\$30.00	\$30.00
---------	---------

**b. Reconnection Charges:** In addition to any other charges that may be due, a reconnection fee of Forty dollars (\$40.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

**4. Other Services**

Fire Hydrant -	\$100.00 per hydrant	\$121.80 per hydrant
----------------	----------------------	----------------------

per year for water service payable in advance. Any water used should be metered and the commodity charge in Section One (1) above will apply to such usage.

**I. WATER (continued)**

**5. Billing Cycle / Late Payment**

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided. Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1.5%) percent for each month or any part of a month that said payment remains unpaid.

**6. Extension of Utility Service Lines and Mains**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

**7. Cross Connection Inspection Fee**

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F (Supp. 2008), as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F (Supp. 2008), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30<sup>th</sup> of each year. If a customer fails to comply with the requirement to perform annual inspections, the utility may, after 30 days' written notice, disconnect water service.

**8. Electronic Billing and Electronic Payment**

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 (Supp. 2008) as may be amended from time to time.

**I. WATER (continued)**

\* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2005), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

II. SEWER

	Current	Proposed
1. Monthly Charges		
Residential - charge per single-family house, condominium, villa, mobile home or apartment unit:	\$33.02 per unit	\$40.12 per unit
Commercial:	\$33.02 per SFE*	\$40.12 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Nonrecurring Charges

Tap Fees (which includes sewer service connection charges and capacity charges)	\$1,200.00 per SFE*	\$1,200.00 per SFE*
---	---------------------	---------------------

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

**II. SEWER (continued)**

**3. Notification, Account Set-Up and Reconnection Charges**

**a. Notification Fee**

A fee of fifteen (\$15.00) dollars shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

**b. Customer Account Charge - for new customers only.**

A fee of twenty-five (\$25.00) dollars shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

**c. Reconnection Charges:** In addition to any other charges that may be due, a reconnection fee of two hundred fifty (\$250.00) dollars shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4.

**4. Billing Cycle**

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

**5. Extension of Utility Service Lines and Mains**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system. In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

II. SEWER (continued)

6. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 (Supp. 2008) as may be amended from time to time.

\*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2005), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.